

6 May 2020

Further update on impact of COVID-19

ALS Limited (ASX code: ALQ) provides a further update on the impact of COVID-19 on its operations.

The Group is well positioned to navigate the financial impact of the COVID-19 pandemic. ALS has agreed terms to increase its existing bank debt facilities which further increases available liquidity. Operationally, the Group is pleased to reaffirm FY20 guidance and continues to trade solidly during challenging economic conditions having instituted a series of initiatives to align its cost base to client demand.

Agreement to increase existing bank debt facilities

The Group continues to maintain strong liquidity with over AUD\$450m of surplus liquidity in cash and undrawn debt. The liquidity level will exceed AUD\$650m when the increase in bank facilities, already agreed, is documented and executed within the next few weeks, which will also include a temporary relief to its leverage covenant for the remainder of FY21.

The new liquidity level places the Group in a solid position to finance its operations and to meet the maturation of a US Private Placement (USPP) debt tranche, due at the end of the calendar year 2020. ALS also continues to monitor the USPP market for longer-term financing and will seek to align key terms with revised bank facilities at the appropriate time.

CEO and Managing Director, Raj Naran commented "The new bank facility creates a prudent liquidity buffer for the business to meet its operating requirements in the current uncertain economic conditions. The balance sheet remains strong with the FY20 year-end leverage ratio expected to be broadly in-line with previous reporting periods and well within existing debt covenants."

Impact of COVID-19 on operations

Less than 10% of ALS' global laboratory network has been adversely impacted by regional and national economic shutdowns, and several of the affected sites have subsequently reopened after being designated as an 'essential business'. Some of these shutdown economies are now starting to reopen with sample flow to ALS laboratories beginning to resume.

Life Sciences has seen some slowdown in sample flows, particularly in Europe, the Americas and Asia due to economic shutdowns. Food and Pharmaceutical sample volumes have generally only seen a small decline with more impact in the Environmental business related to capital project works.

In the Commodities division, sample flows for Geochemistry have slowed primarily due to economic shutdowns in Latin America, Canada and South Africa while Australian volume remains solid and inventories stable. There has been some impact in the Coal and Inspection businesses due to the slowdown in global trade while Metallurgy continues to trade well.

In the Industrials division, Asset Care has been impacted by a deferral of some infrastructure spend by clients in the USA and Australia while Tribology volumes have remained relatively stable.

Cost management initiatives

ALS' flexible 'hub and spoke' model allows the Group to actively manage the cost base in response to client demand. ALS has moved quickly to pre-emptively make significant cost reductions through the following initiatives:

- In excess of 15% of total employees have been stood down in the last month, evenly split between the Life Sciences and Commodities divisions;
- A hiring freeze for non-operational positions, salary freeze for all staff and a ban on overtime and casual employees has been implemented;
- All non-essential capital expenditure has ceased with FY21 spend expected to be approximately one third of the previous year (as a percentage of revenue);
- Focus on cash preservation including a reduction in debtor "day sales" outstanding;
- Elimination of all discretionary spending including non-essential travel; and
- Accessing local and national Government support packages where possible.

Mr Naran continued, "Although this is a dynamic situation, our management team have managed the business through challenging cycles before and we have acted quickly to align our cost base to client demand. While we are seeing reduction in sample volumes across the Group, only a relatively small number of our laboratories have been materially impacted by economic shutdowns and many have reopened after being designated as essential businesses."

Safety of our people

The Group continues to adhere to local and global safety guidelines relating to COVID-19 including the implementation of social distancing arrangements and voluntary temperature monitoring across all operations to protect staff.

Mr Naran continued, "The health, safety and well-being of our people remains our key priority and we continue to keep our employees informed of the latest advice of local and national governments and health authorities to minimise the risk of infection and transmission of COVID-19."

New product development for COVID-19 testing

ALS continues to explore new opportunities to advise and support clients to manage the COVID-19 pandemic.

ALS is now in the final stages of developing new real-time polymerase chain reaction (PCR) test kits for detection of the COVID-19 virus in human and on surface samples. Currently, human samples are collected by medical professionals and tested using commercially available kits in ALS' existing Life Sciences laboratory facilities with a turnaround time of approximately 5 hours. Surfaces swabs follow a similar process and are used to validate hygiene procedures in place to control the spread of COVID-19 across a wide range of clients' operating sites and other infrastructure.



These services are being offered in Portugal and are being expanded across ALS' Life Sciences global network where opportunities exist including Asia, Australia, Canada, Europe, Latin America, UK, and the USA.

The company will report its FY20 results on Wednesday 27 May 2020.

This announcement was approved for release by the Board of ALS Limited.

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About ALS Limited

ALS is a global Testing, Inspection & Certification business. The company's strategy is to broaden its exposure into new sectors and geographies where it can take a leadership position.